Agenda Item No. 10.16
Application No. 19-466

**THE CALIFORNIA DEBT LIMIT ALLOCATION COMMITTEE**
**May 15, 2019**
**Staff Report**
***REQUEST FOR A QUALIFIED PRIVATE ACTIVITY BOND ALLOCATION FOR A QUALIFIED RESIDENTIAL RENTAL PROJECT***

*Prepared by: Ruben Barcelo*

| | |
|---|---|
| **Applicant:** | **County of Los Angeles** |

**Allocation Amount Requested:**

| | |
|---|---|
| **Tax-exempt:** | $12,000,000 |

**Project Information:**

| | |
|---|---|
| **Name:** | **Firestone Phoenix** |
| **Project Address:** | 7321 Miramonte Blvd. |
| **Project City, County, Zip Code:** | Unincorporated Los Angeles County, 90001 |

**Project Sponsor Information:**

| | |
|---|---|
| **Name:** | Miramonte PSH, L.P. (Supportive Housing LLC) |
| **Principals:** | Dora Leong Gallo |
| **Property Management Company:** | Levine Management Group Inc. |

**Project Financing Information:**

| | |
|---|---|
| **Bond Counsel:** | Hawkins, Delafield & Wood LLP |
| **Private Placement Purchaser:** | MUFG Union Bank, N.A. |
| **Cash Flow Permanent Bond:** | Not Applicable |
| **Public Sale:** | Not Applicable |
| **Underwriter:** | Not Applicable |
| **Credit Enhancement Provider:** | Not Applicable |
| **Rating:** | Not Applicable |
| **TEFRA Noticing Date:** | January 6, 2019 |
| **TEFRA Adoption Date:** | February 19, 2019 |

**Description of Proposed Project:**

| | |
|---|---|
| **State Ceiling Pool:** | General |
| **Total Number of Units:** | 44 |
| **Manager's Units:** | 1 Unrestricted |
| **Type:** | New Construction |
| **Population Served:** | Family/Special Needs |

Firestone Phoenix is a new construction project located in the unincorporated Florence-Firestone neighborhood on a 0.67-acre site. The project will provide 43 restricted rental units and 1 unrestricted manager unit distributed as 9 studios, 20 one-bedroom units and 15 two-bedroom units. The building will be designed as a single, elevator-served, three-story building. Common amenities include a large community room, computer lab, fitness center, laundry facilities, management offices, resident services offices, community garden, courtyard with barbeque and seating, gated entry with security cameras, bike storage and 21 parking spaces, including one space for a vanpool and electric vehicle. Each unit will feature a refrigerator, stove and cabinets, and the special needs units will be furnished with a full-size bed, dining table and chairs. Green features include solar thermal hot water augmenting an electric heat pump boiler, high efficiency lighting and plumbing fixtures, certified "cool" roof, high performance windows, and Energy Star ceiling fans in each unit. Construction is expected to begin in July 2019 and be completed in December 2020.

**Description of Public Benefits:**

**Percent of Restricted Rental Units in the Project:** 100%

100% (43 units) restricted to 50% or less of area median income households.
0% (0 units) restricted to 60% or less of area median income households.

**Unit Mix:** Studio, 1 & 2 bedrooms

The proposed project will not be receiving service amenity points.

**Term of Restrictions:**

**Income and Rent Restrictions:** 55 years

**Details of Project Financing:**

| | | | |
|---|---|---|---|
| **Estimated Total Development Cost:** | $ | 24,288,298 | |
| **Estimated Hard Costs per Unit:** | $ | 257,743 | ($11,340,675 /44 units including mgr. unit) |
| **Estimated per Unit Cost:** | $ | 552,007 | ($24,288,298 /44 units including mgr. unit) |
| **Allocation per Unit:** | $ | 272,727 | ($12,000,000 /44 units including mgr. unit) |
| **Allocation per Restricted Rental Unit:** | $ | 279,070 | ($12,000,000 /43 restricted units) |

| **Sources of Funds:** | | Construction | | Permanent |
|---|---|---|---|---|
| Tax-Exempt Bond Proceeds | $ | 12,000,000 | $ | 1,567,000 |
| LIH Tax Credit Equity | $ | 991,581 | $ | 8,170,285 |
| Deferred Developer Fee | $ | 1,180,000 | $ | 1,180,000 |
| Deferred Costs | $ | 691,993 | $ | 0 |
| Deferred Interest | $ | 325,800 | $ | 325,800 |
| LA CDC/HA - Housing Successor | $ | 278,924 | $ | 278,924 |
| LA CDC/HA - HOME | $ | 8,820,000 | $ | 8,820,000 |
| HCD - VHHP | $ | 0 | $ | 3,946,289 |
| Total Sources | $ | 24,288,298 | $ | 24,288,298 |

| **Uses of Funds:** | | |
|---|---|---|
| Land Cost/Acquisition | $ | 2,074,566 |
| New Construction | $ | 12,569,577 |
| Contractor Overhead & Profit | $ | 572,900 |
| Architectural Fees | $ | 621,000 |
| Survey and Engineering | $ | 150,000 |
| Construction Interest and Fees | $ | 1,744,518 |
| Permanent Financing | $ | 54,812 |
| Legal Fees | $ | 135,000 |
| Reserves | $ | 684,879 |
| Appraisal | $ | 13,500 |
| Hard Cost Contingency | $ | 1,298,167 |
| Local Development Impact Fees | $ | 371,762 |
| Other Project Costs (Soft Costs, Marketing, etc.) | $ | 1,417,617 |
| Developer Costs | $ | 2,580,000 |
| Total Uses | $ | 24,288,298 |

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**Analyst Comments:**

This project exceeds CDLAC's cost per unit threshold. A factor that contributed to the high cost includes a requirement to fund a "capitalized transition reserve" of $7,126 per unit imposed by the VHHP funding source. Another factor is the project's location in Los Angeles affecting the high cost because of a severe labor shortage caused in part by a reluctance of contractors to accept affordable housing projects over market rate projects.

**Legal Questionnaire:**

The Staff has reviewed the Applicant's responses to the questions contained in the Legal Status portion of the application. No information was disclosed to question the financial viability or legal integrity of the Applicant.

**Total Points:**

67 out of 140 **[**See Attachment A**]**

**Recommendation:**

Staff recommends that the Committee approves $12,000,000 in tax-exempt bond allocation.

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**ATTACHMENT A**

**EVALUATION SCORING:**

| Point Criteria | Maximum Points Allowed for Non-Mixed Income Projects | Maximum Points Allowed for Mixed Income Projects | Points Scored |
|---|---|---|---|
| Preservation Project | 20 | 20 | 0 |
| Exceeding Minimum Income Restrictions: | 35 | 15 | 35 |
| Exceeding Minimum Rent Restrictions<br><br>[Allowed if 10 pts not awarded above in Preservation Project] | [10] | [10] | 10 |
| Large Family Units | 5 | 5 | 0 |
| Leveraging | 10 | 10 | 10 |
| Community Revitalization Area | 5 | 5 | 0 |
| Site Amenities | 10 | 10 | 0 |
| Service Amenities | 10 | 10 | 0 |
| New Construction or Substantial Renovation | 10 | 10 | 10 |
| Sustainable Building Methods | 10 | 10 | 2 |
| Forgone Eligible Developer Fee<br>(Competitive Allocation Process Only) | 10 | 10 | N/A |
| Minimum Term of Restrictions<br>(Competitive Allocation Process Only) | 10 | 10 | N/A |
| Negative Points (No Maximum) | -10 | -10 | 0 |
| **Total Points** | **140** | **120** | **67** |